GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:439
ANSWERED ON:31.03.2017
Educational Loan Repayment Norms
Ramadoss Dr. Anbumani

Will the Minister of FINANCE be pleased to state:

(a) whether the banks have followed the Indian Banks Association (IBA) norms for repayment of educational loans by providing the repayment period upto 15 years and if so, the details thereof and if not, the reasons therefor along with the remedial action taken by the Government in this regard;

(b) whether some banks including the State Bank of India have handed over the educational loan accounts to Asset Recovery Companies (ARC) even without giving sufficient opportunity to the student by expanding repayment period upto 180 months and if so, the details thereof along with the action taken against such banks, bank-wise; and

(c) whether the Government proposes to issue instructions to the banks not to hand over the educational loan accounts to ARCs and to adopt legal methods for recovery of said loans and if so, the details thereof?

Answer

(FINANCE MINISTER)

(a) to (c): A Statement is laid on the Table of the House.

Statement referred to in reply to parts (a) to (c) of Lok Sabha Starred Question No. *439 for answer on 31st MARCH, 2017 tabled by DR. ANBUMANI RAMADOSS regarding EDUCATIONAL LOAN REPAYMENT NORMS

Model Educational Loan Scheme prepared by the Indian Banks' Association (IBA) in the year 2001 was circulated to banks for implementation by the Reserve Bank of India in April, 2001. Based on the suggestions from stakeholders and needs of the students, the Model Educational Loan Scheme has already been revised by IBA in August, 2015. Under the revised scheme, repayment period has been extended upto 15 years besides repayment holiday during the course and one year moratorium for repayment after completion of studies in all cases.

RBI has issued guidelines which permit banks to engage recovery agents for recovery of all loans. Sale of loans to Asset Reconstruction Companies (ARCs) is in line with RBI guidelines and is a part of the strategy of banks to reduce Non-Performing Assets (NPAs) so that blocked funds get recycled and fresh loans can be given to the aspiring and needy students to help them pursue their career goals. Government has however, advised banks to adopt non-coercive differentiated strategy in so far as recovery of education loan is concerned.

******